

3.3 Holding Over. In any circumstance whereby Lessee would hold over and remain in possession of the Premises after the expiration of this Agreement, such holding over shall not be deemed to operate as a renewal or extension of this Agreement, but shall only create a tenancy from month to month which may be terminated at any time by Lessor upon thirty (30) days notice to Lessee or by Lessee upon sixty (60) days notice to Lessor.

IV. LEASE PAYMENTS

4. Lease Payments. Lessee shall pay to Lessor all of the following payments together with all other payments required by this Agreement (all payments by Lessee to Lessor required by this Agreement for any reason are collectively the "Rent"):

4.1 Rent Payment Date. All Rent shall be payable one month in advance on the twentieth day of each month. For example, the Rent for September shall be payable on or before August 20. The first installment of Rent prorated for the portion of the month remaining in the month in which this Agreement is executed is due immediately upon execution of this Agreement.

4.2 Base Rent. The rental amount (the "Base Rent") Lessee shall pay to Lessor during each calendar month of this Agreement shall be Five Hundred Sixteen and 66/100 Dollars (\$516.66).

4.3 Base Rent Adjustment. In the event this Agreement is extended beyond the original two (2) year term, the Base Rent shall be automatically adjusted upward on each annual anniversary of this Agreement on the basis of changes in the United States Consumer Price Index for all Urban Consumers (CPI-U), U.S. City Average, published by the United States Bureau of Labor Statistics (the "Cost of Living Index"). The amount of each adjusted monthly rent installment of Base Rent (represented by the letter "R" in the formula set forth below) shall be equal to the then current Cost of Living Index number (represented by the letter "C" in the formula set forth below) divided by the Cost of Living Index number for the month during which the term of this Lease commences (represented by the letter "M" in the formula set forth below), and multiplied by the original monthly Base Rent amount (represented by the "\$" symbol in the formula set forth below). This computation is expressed by the following formula:

$$R = \frac{C}{M} \times \$$$

provided, that in no event shall the Base Rent be adjusted downward from any previous period. If such Cost of Living Index shall no longer be published at the adjustment date, then another similar index published by any federal agency shall be substituted by Lessor in Lessor's reasonable discretion. In the event of a holdover, Base Rent shall be increased by an additional twenty-five percent (25%) over the amount of Base Rent otherwise payable.

4.4 Aeronautical Business Permit. In addition to all other Rent payment hereunder, if Lessee does not from time to time hold an Aeronautical Business Permit covering all activities relating to the Premises, Rent shall include an additional amount equal to the amount that would be payable pursuant to such an Aeronautical Business Permit regardless of whether an Aeronautical Business Permit is required by law. The preceding sentence applies to any type of permit or other rule or requirement that may supplement or replace the Aeronautical Business Permit.

4.5 Security Deposit. At the time of execution of this Agreement, Lessee shall provide to, and maintain with Lessor at all times during the term of this Agreement, a security deposit

guaranteeing the faithful performance of this Agreement, in the sum of Five Hundred Dollars (\$500). Any funds or property of Lessee held by or available to Lessor under or related to this Agreement shall also stand as a security deposit guaranteeing Lessee's faithful performance of this Agreement. Any portion of said security deposit to which Lessee may then be entitled, net of any setoff or other obligation of Lessee or Lessor, shall be paid to Lessee by the then owner of the fee title to the Premises within sixty (60) days after termination of this Agreement.

4.6 Utilities. Lessee shall contract for and pay all charges, fees, deposits and other amounts for telephone services at the rates applicable thereto. Lessor shall provide to the Premises air conditioning, heating, and electricity through existing lines or equivalent. Lessee shall pay Twenty-Four and 81/100 Dollars (\$24.81) per month to Lessor for air conditioning, heating and electrical service to the Premises. Lessor shall have the right to adjust said amount upward each July 1 during the entire term of this Agreement in the event of increases in the cost of utilities. Said amount includes a portion of the cost of utilities related to the common areas of the Terminal Building. Lessee shall do nothing, which would materially increase the amount of shared utilities consumed at the Premises or common areas. No other utilities are available.

4.7 Late Fees. Should any installment of Rent not be paid on or before the date due, a ten percent (10%) late fee shall be added to the amount due, or found to be due. Furthermore, any and all amounts payable by Lessee under this Agreement that are not timely paid shall accrue interest at the rate of one percent (1%) per month from the date the amount first came due until paid. Lessee expressly agrees that the foregoing represent reasonable estimates by Lessor's costs in the event of a delay in payment of Rent.

4.8 Rent Amounts Cumulative. All amounts payable by Lessee hereunder or under any tax, assessment or other existing or future ordinance or other law of the City of Scottsdale or the State of Arizona shall be cumulative and payable in addition to each other payment required hereunder, and such amounts shall not be credited toward, substituted for, or setoff against each other in any manner.

4.9 No Setoffs. All Rents shall be paid in full directly to Lessor without setoff or deduction of any description. Lessee expressly waives any right of setoff.

V. USE RESTRICTIONS

5. Use Restrictions. Lessee's use and occupation of the Premises shall in all respects conform to all and each of the following cumulative provisions:

5.1 Permitted Uses. Lessee shall use the Premises solely for the Permitted Uses. No other activity shall be conducted at or from the Premises.

5.2 Hours of Operation. Lessee shall keep the Premises open to the public from at least 8:00 a.m. to 5:00 p.m. daily (Saturday, Sunday and other legal holidays excepted).

5.3 No Exclusive Uses. This Agreement does not give Lessee any exclusive right to conduct any type of business at the Terminal Building or the airport.

5.4 Fixtures and Personal Property. Lessee shall provide to the Premises all equipment and other items necessary for the Premises to be conveniently used for the Permitted Uses.

5.5 Lessee's Agent. Lessee shall at all times during normal business hours retain on call available to Lessor upon the Premises an active, qualified, competent and experienced

manager to supervise all activities upon the Premises and who shall be authorized to represent and act for Lessee in matters pertaining to all emergencies and the day-to-day operation of the Premises. During any temporary periods of absence by said manager, an assistant manager or designated representative of Lessee with like authorization must be present upon the Premises. Lessee shall also provide notice to Lessor of the name, address and regular and after hours telephone number of a person to handle Lessee's affairs and emergencies at the Premise.

5.6 Standards of Service. In entering into this Agreement, Lessor and Lessee have foremost in mind providing public access to enjoyable services of the highest quality. Without limitation, Lessee shall operate the Premises in a first-class manner; shall furnish prompt, clean and courteous service; and shall keep the Premises attractively maintained, orderly, clean, sanitary and in an inviting condition at all times, all to the satisfaction of Lessor. Lessee shall not employ any person or persons in or about the Premises who shall fail to be clean, courteous, efficient and neat in appearance or who shall use improper, obnoxious or rude language or act in a loud or boisterous or otherwise improper manner. No nudity or adult entertainment of any sort is permitted.

5.7 Common Areas. Subject to current and future regulations and policies governing the use of, and access to, the Terminal Building and the airport, Lessee, its officers, employees, agents, patrons and invitees, and its suppliers of services and furnishers of materials shall have the right of ingress to and egress from the Premises through such portions of the Terminal Building as are open to the public from time to time. Such right is strictly limited to ingress and egress. There shall be absolutely no office activity or storage, however temporary, in the halls, steps, porches or other areas of or surrounding the Terminal Building or the airport. Lessee shall immediately clean up any spills or debris caused by Lessee or its suppliers or customers. Lessor may from time to time make available to Lessee and/or other users a conference room for use by reservation subject to conflicting uses by Lessor and others and subject to Lessee's payment of a fee established by Lessor.

5.8 Parking. Parking shall be subject to current and future regulations and limitations governing parking at the Terminal Building and the airport. There shall be no guaranteed number of parking places available to the Premises. There shall be no reserved parking places for the Premises. Lessee's patrons and invitees shall have the right to park motor vehicles in such parking spaces as may be designated by Lessor from time to time. Vehicles making deliveries to the Premises shall park only in areas specifically designated by Lessor at the airport from time to time as delivery areas.

5.9 Airport Operations. Lessee acknowledges that Lessee's use of the Premises shall be subject and subordinate to Lessor's operation of the airport, which will necessarily directly and indirectly affect Lessee and the Premises. Lessee's use of the Premises shall not be permitted by Lessee in any way adversely affect Lessor's use or operation of the airport. Cumulatively and without limitation:

5.9.1 Lessor reserves the right to further develop, diminish, close, remove or otherwise change the landing area and other areas of the airport as Lessor sees fit, regardless of the desires or view of Lessee, and without interference or hindrance.

5.9.2 Lessor reserves the right, but shall not be obligated to Lessee to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of Lessee in this regard.

5.9.3 There is hereby reserved to Lessor, its successors and assigns, and for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight shall include the right to cause in said airspace any noise, vibrations or other affects relating to the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operation on the airport.

5.9.4 Lessee by accepting this Agreement agrees for itself, its successors and assigns that it will not make use of the Premises in any manner which might interfere with the taxiing, flights, landing and taking off of aircraft from the airport, the loading or unloading of passengers or cargo or other aircraft operations or otherwise constitute a hazard. Whether any particular conduct complies with the foregoing shall be determined by Lessor.

5.10 Signs. All of Lessee's signage is subject to the following:

5.10.1 The location, size, content and style of each sign shall be subject to the provisions of the applicable sign ordinance and shall be in keeping with the airport sign program as the same may change from time to time and with the overall aesthetics and utility of the airport facilities and grounds, as determined by Lessor, and shall be designed, made and installed in a professional manner; and

5.10.2 Lessee shall have the right to install and operate not more than two (2) appropriate signs at the Terminal Building to identify Lessee's business. Regardless of signage existing from time to time, Lessor shall have the absolute right from time to time and without compensation to Lessee or any other person to require Lessee to conform to a new Airport sign program and to limit or reduce the amount of signage for the Premises to one (1) single-faced, exterior sign facing the roadway west of the Terminal Building and one single-faced interior sign on the door or wall of the Premises, as directed by Lessor. At Lessor's election, Lessee shall cause said exterior sign to be combined with other signage at the Terminal Building. Without Lessor's consent, such exterior sign shall not exceed two square feet in gross sign area. Without Lessor's consent, said interior sign shall not exceed two square feet in gross sign area.

5.10.3 No sign shall be erected, installed or displayed until Lessee has submitted written request, together with descriptions and drawings showing the intended locations, size, style and colors of such signs, to the airport director, and has received prior written approval from Lessor; and

5.10.4 Lessee shall bear all costs pertaining to the erection, installation and operations, maintenance and removal of all signs including, but not limited to, the application for and obtaining of any required building permits regardless of the reason for any such activity, even if such activity is required by Lessor pursuant to this Agreement.

5.11 Hazardous Materials. Lessee shall not produce, dispose, transport, treat, use or store any hazardous waste or toxic substance upon or about the Premises subject to regulation under the Arizona Hazardous Waste Management Act, A.R.S. Sec. 49-901, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., or the Toxic Substances Control Act, 15 U.S.C. 2601, et seq., or any other federal, state, county, or local law pertaining to hazardous waste or toxic substances. Lessee shall not use the Premises in a manner inconsistent with regulations issued by the Arizona Department of Health Services, or in a manner that would require a permit or approval from the Arizona Department of Health Services or any other governmental agency. Lessee shall pay, indemnify, defend and hold Lessor harmless against any loss or liability incurred by reason of any hazardous waste or materials or toxic substance on or affecting the Premises

occurring after the date of this Agreement, and shall immediately notify Lessor of any hazardous waste or materials or toxic substance at any time discovered or existing upon the Premises.

5.12 Communications Operations Restriction. Lessee shall not install, operate, or allow the use of equipment, methodology or technology that may or would interfere with the optimum effective use or operation of Lessor's fire, emergency or other communication equipment, methodology or technology (i.e., voice or other data carrying, receiving or transmitting equipment) that is presently in use or could be in use in the future. If such interference should occur, Lessee shall immediately discontinue using such equipment, methodology or technology that causes the interference until corrective measures are taken. Any such corrective measures shall be made at no cost to Lessor.

VI. IMPROVEMENTS AND MAINTENANCE

6. Improvements and Maintenance. Except as expressly hereinafter provided, Lessee shall have all responsibilities for improvements to and maintenance of the Premises during the term of this Agreement.

6.1 Improvements by Lessor. Lessor has not promised to and is not obligated in any manner to make any improvements to the Premises, the Terminal Building or the airport.

6.2 General Provisions for Lessee's Improvements. The following provisions shall govern all improvements and other construction work of any description by Lessee whether or not specifically described herein (collectively "Lessee's Improvements") upon or related to the Premises:

6.2.1 All Lessee's Improvements shall be designed and made at Lessee's sole cost and expense.

6.2.2 Lessee's Improvements shall include all leasehold improvements, furnishings, furniture, equipment, draperies, carpeting, fixtures, paint, wall treatments, communications cabling, decorations and other construction work of any description as described in all plans heretofore or hereafter delivered by Lessee to Lessor. All such plans and construction are subject to inspection and final approval by Lessor as to colors, fabrics, materials, site plan, etc., as well as general design and function, and appearance.

6.2.3 All of Lessee's Improvements shall be of high quality, safe, fire resistant, modern in design, attractive in appearance, all as approved by Lessor.

6.2.4 Lessee shall diligently and expeditiously pursue the installation of all approved Lessee's Improvements and shall complete installation of all of Lessee's Improvements no later than three (3) months after the date of plans approval.

6.2.5 Lessee shall make no Lessee's Improvements or other alterations, modifications or additions to the Premises without having first received the written consent of Lessor which Lessor may withhold in Lessor's sole and absolute discretion. Any approved alterations, modifications or additions shall be accomplished by Lessee at its sole cost and expense. Any changes to utility facilities shall be strictly limited to the Premises and shall be undertaken by Lessee at its sole cost and expense, and only with the written permission of Lessor.

6.2.6 In addition to the security deposit and any other payment or performance required under this Agreement, Lessee shall within two weeks following Lessor's approval of any

Lessee's Improvements and prior to any construction work by Lessee at the Premises provide to Lessor a performance bond or unconditional and irrevocable letter of credit in form acceptable to Lessor and payable to Lessor alone, in an amount equal to the full contract amounts payable directly or indirectly to all persons for the construction work, to insure timely completion of all work and for the complete protection of Lessor and the Premises from the claims of any person supplying labor or materials or performing any construction, alteration or repair work at the Premises or any services in connection therewith. Lessee shall timely pay for all such labor, materials, work and all professional and other services related thereto and shall pay, indemnify, defend and hold harmless Lessor against all such claims. Without limitation, the performance and payment bonds to be posted with Lessor shall be in form and substance acceptable to Lessor, and issued by a person acceptable to Lessor and shall also at a minimum meet the requirements of A.R.S. Sec. 34-222 and A.R.S. Sec. 34-223, and other applicable laws. All bonds shall be accompanied by or shall include a statement by the issuer to Lessor to the effect that the bond is intended by the issuer to provide to Lessor at a minimum the protection described herein. Lessee shall deliver directly to Lessor's legal department (together with a copy to Lessor as provided for notices under this Agreement) a full and complete draft form of bond at least twenty-one (21) days prior to the date the actual bond is required. All requirements of this paragraph apply to letters of credit and any other form of assurance provided pursuant to this paragraph. In lieu of any bond required, Lessee may provide a clean, unconditional, irrevocable letter of credit in the bond amount issued by a federally insured financial institution with offices in Maricopa County, Arizona. The letter of credit must be payable to Lessor upon demand and must also meet all other requirements of this paragraph. The letter of credit must have an expiration date at least sixty (60) days after the time provided herein for completion of the construction. Any replacement letter of credit must be delivered to Lessor at least thirty (30) days before expiration of the letter of credit being replaced.

6.2.7 All Lessee's Improvements shall be contained entirely within the Premises and without any encroachment or dependence upon any other property.

6.2.8 Any and all construction work performed on the Premises by Lessee shall be performed in a workman-like manner as reasonably determined by Lessor and shall be diligently pursued to completion and in conformance with all building codes and similar rules. All Lessee's Improvements shall be and become part of the realty and the real property of Lessor "brick by brick" as constructed. In any event, the Premises must be left in as good or better condition as it may be on the date of this Agreement, or such better condition as the Premises may hereafter be placed.

6.2.9 All work shall be done strictly at Lessee's expense and paid for by Lessee. In no event, including without limitation termination of this Agreement for any reason, shall Lessor be obligated to compensate Lessee in any manner for any of Lessee's Improvements or other work provided by Lessee during or related to this Agreement.

6.2.10 Lessee acknowledges that as of the date of this Agreement, Lessor has not approved or promised to approve any plans for Lessee's Improvements.

6.3 Maintenance by Lessor. Lessor shall perform at Lessor's expense indoor janitorial service for the common areas of the Terminal Building and exterior landscaping and sweeping of parking areas. Lessee shall pay to Lessor an amount reasonably determined by Lessor to be the costs of the foregoing incurred because of unpermitted or improper actions of Lessee or its agents, customers, or other guests. Lessor shall also be responsible to maintain the structural integrity of the Premises, exterior windows, exterior doors, roof, exterior walls, sewers, air conditioning, heating and plumbing within or serving the Premises.

6.4 Maintenance by Lessee. Lessee shall at all times repair and maintain the Premises at Lessee's sole expense in a first-class, sound, clean and attractive manner, as determined in Lessor's reasonable discretion. Without limitation, Lessee shall be responsible for the following:

6.4.1 Janitor and all other cleaning service in the Premises.

6.4.2 Cleanup of any spills or other debris or damage to the Premises or to nearby areas of the airport caused by Lessee or its agents and customers or others claiming under Lessee including, without limitation, spills, debris and damage caused by vehicles and aircraft.

6.4.3 Adequate and sanitary handling and disposal, away from the Premises and the airport, of all trash, garbage and other refuse related to Lessee's use of the Premises. Without limitation, Lessee shall provide and use suitable covered receptacles for all trash and other refuse related to Lessee's use of the Premises. Piling of boxes, cartons, barrels or other items outside the Premises or in a manner visible from outside the Premises or in a manner visible to areas open to the public is prohibited. The area in which trash containers are stored shall be kept clean and free of all trash and debris and shall be shielded from public view. Unless requested by Lessor from time to time, Lessee may use large metal dumpsters Lessor may provide. Lessee acknowledges that the dumpster currently located near the Terminal Building will likely be relocated from time to time to other locations in the general vicinity of the Terminal Building.

6.4.4 All other repairs and maintenance of the Premises not specifically required hereunder to be performed by Lessor.

VII. BREACH BY LESSEE

7. Breach by Lessee. Lessee shall comply with, perform and do each performance and thing required of Lessee herein and Lessee's failure to do so shall be a breach by Lessee of this Agreement.

7.1 Events of Default. This entire Agreement is made upon the condition that each and every one of the following events shall be deemed an "Event of Default" and a material breach by Lessee of Lessee's material obligations under this Agreement:

7.1.1 If Lessee shall be in arrears in the payment of Rent and shall not cure such arrearage within ten (10) days after Lessor has notified Lessee in writing of such arrearage.

7.1.2 If any assignment of any of Lessee's property shall be made for the benefit of creditors.

7.1.3 If Lessee shall fail to observe and comply with all bidding requirements of Lessor with respect to this Agreement and with all performances promised by Lessee with respect to Lessee's bid submitted in connection therewith. Any representations, warranties, promises or performances made by Lessee in connection with said bid are in addition to the other requirements of this Agreement and are incorporated as requirements of this Agreement.

7.1.4 If Lessee shall fail to timely pay any taxes or other amounts herein required to be paid by Lessee to any third person.

7.1.5 If Lessee shall fail to obtain or maintain any licenses, permits, or other governmental approvals from Lessor or any other governmental body or timely pay any taxes with respect to this Agreement, the Premises or Lessee's use of the Premises.

7.1.6 If Lessee shall fail to or neglect to do or perform or observe any other provisions contained herein on its part to be kept or performed and such failure or neglect to do or perform or observe any of such other provisions shall continue for a period of thirty (30) days after Lessor has notified Lessee in writing of Lessee's default hereunder.

7.1.7 If Lessee shall engage in a pattern of repeated failure (or neglect) to timely do or perform or observe any provision contained herein.

7.2 Lessor's Remedies. Upon the occurrence of any Event of Default or at any time thereafter, Lessor may, at its option and from time to time, exercise any or all or any combination of the following remedies in any order and repetitively at Lessor's option:

7.2.1 Lessor's right to terminate this Agreement for nonpayment of Rent or for any other Event of Default is hereby specifically provided for and agreed to.

7.2.2 Without demand or notice, enter into and upon the Premises or any part thereof, and repossess the same of its former estate, and expel Lessee and those claiming by, through or under it, and remove their effects, if any, forcibly if necessary, without being deemed guilty of trespass and without prejudice to any other remedy.

7.2.3 Enforce a lien, which is hereby granted upon Lessee's property at the Premises securing all of Lessee's obligations hereunder.

7.2.4 Cause a receiver to be appointed for the Premises and for the continuing operation of Lessee's business thereon.

7.2.5 Pay or perform, for Lessee's account and at Lessee's expense, any or all payments or performances required hereunder to be paid or performed by Lessee.

7.2.6 Abate at Lessee's expense any violation of this Agreement.

7.2.7 Pursue at Lessee's expense any and all other remedies, legal or equitable, to which Lessor may be entitled.

7.2.8 Refuse without any liability to Lessee therefor to perform any obligation imposed on Lessor by this Agreement.

7.2.9 Be excused from further performance under this Agreement.

7.2.10 Insist upon Lessee's full and faithful performance under this Agreement and upon Lessee's full and timely payment of all Rent during the entire remaining term of this Agreement.

7.2.11 Assert or exercise any other right or remedy permitted by law.

7.3 Indemnity. In addition to all other indemnities and other obligations of Lessee, Lessee agrees to hold Lessor harmless from, to defend Lessor against, and to indemnify Lessor from all fines, claims, damages, obligations, liabilities and suits of every description, including attorneys' fees and court costs including loss of use, arising from any act or omission on the part of Lessee, its employees, sub-contractors, or agents, in the use of the Premises caused in whole or in part by any act, mistake, error or omission of the Lessor or anyone for whose acts, mistakes, errors or omissions Lessor may be liable, regardless of whether it is caused in whole or in part by a party

indemnified hereunder, including the Lessor, or the prosecution of any operations, or portion thereof, under this Agreement or from any failure to fully, faithfully and timely comply with any and all of Lessee's obligations hereunder.

7.4 Non-waiver. Lessee acknowledges Lessee's unconditional obligation to comply with this Agreement. No failure by Lessor to demand any performance required of Lessee under this Agreement, and no acceptance by Lessor of any imperfect or partial performance under this Agreement, shall excuse such performance or impair in any way Lessor's ability to insist, prospectively and retroactively, upon full compliance with this Agreement. No acceptance by Lessor of Rent or other performances hereunder shall be deemed a compromise or settlement of any claim Lessor may have for additional or further payments or performances. Any waiver by Lessor of any breach of condition or covenant herein contained to be kept and performed by Lessee shall not be deemed or considered as a continuing waiver and shall not operate to bar or prevent Lessor from declaring a default for any succeeding breach either of the same condition or covenant or otherwise. No statement, bill or notice by Lessor concerning payments or other performances due hereunder shall excuse Lessee from compliance with this Agreement nor estop Lessor (or otherwise impair Lessor's ability) to at any time correct such notice and/or insist prospectively and retroactively upon full compliance with this Agreement. No waiver of any description (including any waiver of this sentence or paragraph) shall be effective against Lessor unless made in writing by a duly authorized representative of Lessor specifically identifying the particular provision being waived and specifically stating the scope of the waiver. LESSEE EXPRESSLY DISCLAIMS AND SHALL NOT HAVE THE RIGHT TO RELY ON ANY SUPPOSED WAIVER OR OTHER CHANGE OR MODIFICATION, WHETHER BY WORD OR CONDUCT OR OTHERWISE, NOT CONFORMING TO THIS PARAGRAPH.

7.5 Reimbursement of Remedies Lessor's Expenses. Lessee shall pay to Lessor upon demand any and all amounts expended or incurred by Lessor in performing Lessee's obligations.

7.6 Inspection. Lessor shall have access to the Premises at all times and upon reasonable notice (except, in the event of an emergency without notice) for the purpose of examining, inspecting, evaluating, planning, repairing, designing, maintaining or showing the Premises or exercising Lessor's other rights hereunder. Lessee shall promptly undertake appropriate action to rectify any deficiency (identified by Lessor during such inspections or otherwise) in Lessee's compliance with this Agreement. Lessee shall at all times and without request provide to Lessor a set of keys to buildings, rooms or other enclosures used by Lessee.

VIII. TERMINATION

8. Rights at Termination.

8.1 Delivery of Possession. Lessee shall, at the expiration of the term hereof or upon any sooner termination thereof, without demand, peaceably and quietly quit and deliver up the Premises to Lessor thoroughly cleaned, and in good repair, maintained and repaired and in as good order and condition, reasonable use and wear excepted, as the same now are or in such better condition as the Premises may hereafter be placed by Lessee or Lessor.

8.2 Confirmation of Termination. Upon expiration or termination of this Agreement for any reason, Lessee shall provide to Lessor upon demand quit claim deeds covering the Premises executed by Lessee and by all persons claiming through this Agreement or Lessee any interest in the Premises.

IX. INSURANCE

9. Insurance. Lessee shall insure the Premises and Lessor's surrounding property as follows:

9.1 Insurance Required. Prior to occupying for using the Premises in any way and at all times thereafter, Lessee shall obtain and cause to be in force and effect the following insurance:

9.1.1 Commercial General Liability. Commercial general liability insurance with a minimum limit of One Million Dollars (\$1,000,000) for each occurrence, Two Million Dollars (\$2,000,000) general aggregate limit per policy year. The policy shall include coverage for bodily injury, broad form property damage, personal injury, premises liability, blanket contractual, and products and completed operations coverage. Without limitation, the policy will cover Lessee's liability under the indemnity provisions of this Agreement. The protection under the policy shall at a minimum meet or exceed Insurance Service Office, Inc. form CG0001093, and additional insured Form B, CG20101185, or any replacements thereof.

9.1.2 Automobile Liability. Commercial business automobile liability insurance with a combined single limit for bodily injury and property damage of One Million Dollars (\$1,000,000) for each occurrence covering any and all owned, hired, and non-owned vehicles assigned to or used in any way in connection with Lessee's use of the Premises. Coverage must be at least as broad as coverage code 1, "any auto," Insurance Service Office, Inc. policy form CA 00011293 or any replacements thereof. Without limitation, such insurance shall cover hazards of motor vehicle use for loading and off loading.

9.1.3 Workers' Compensation. Such workers' compensation and similar insurance as is required by law and employer's liability insurance with a minimum limit of One Hundred Thousand (\$100,000) for each accident, One Hundred Thousand Dollars (\$100,000) disease for each employee, Five Hundred Thousand Dollars (\$500,000) policy limit for disease. All contractors and subcontractors must provide like insurance.

9.1.4 All Risk Property. Unless waived by Lessor in writing, all risk property insurance in an amount equal to full replacement cost of the Premises and all personal property used in connection therewith.

9.1.5 Contractor's Protective. With respect to any construction involving the Premises, owner's and contractor's protective insurance covering the interests of contractors, Lessor and Lessee, with a minimum limit of One Million Dollars (\$1,000,000) for each occurrence and a Two Million Dollars (\$2,000,000) general aggregate limit per policy year.

9.1.6 Other Insurance. Any other insurance Lessor may reasonably determine from time to time to be necessary to protect Lessor, the Premises, Lessor's surrounding property, Lessee, or the activities carried on the Premises.

9.2 Form of Insurance. All insurance policies (other than workers' compensation) shall contain a waiver of any transfer rights of recovery (subrogation) against Lessor or its agents, officers or employees. All policies shall contain provisions that neither Lessee's breach of a policy requirement or warranty, nor failure to follow claims reporting procedures, shall affect coverage provided to Lessor. No deductible shall be applicable to coverage provided to Lessor. All policies except workers' compensation must name Lessor and its agents, officials and employees as additional insureds. All policies must provide Lessor with thirty (30) days' notice of any cancellation or other change in coverage. All policies shall require notices be given to Lessor as specified for other notices to Lessor under this Agreement. Any "claims made" coverage shall have an

extended reporting period for a minimum of two (2) years after notice to Lessor that the policy has expired.

9.3 Insurance Certificates. Lessee shall evidence all insurance by furnishing to Lessor certificates of insurance. Certificates must be provided within thirty (30) days after the date of this Agreement and at least thirty (30) days prior to any change in insurance coverage. Certificates must evidence that the policy referenced by the certificate satisfies each requirement of this Agreement applicable to the policy. For example, certificates must indicate that Lessor and its agents, officials and employees are additional insureds. Certificates must be in a form acceptable to Lessor. All certificates are in addition to the actual policies and endorsements required.

9.4 Lessor's Election to Provide Insurance. With respect to any insurance required hereunder, Lessor may elect to acquire all or any part of such insurance covering the Premises and Lessee shall pay to Lessor the costs of such insurance as reasonably determined by Lessor. Lessee shall provide all insurance not so provided by Lessor.

9.5 Insurance Proceeds. All insurance proceeds shall be paid to Lessor for Lessor's use in compensating Lessor for the loss of the Premises, protecting Lessor, the Premises and Lessor's property from every other loss or exposure suffered by Lessor, rebuilding the Premises, and satisfying and securing Lessee's obligations hereunder. Any remaining proceeds shall be allocated between Lessor and Lessee as their interests may appear.

9.6 Acceptable Insurers. All insurance policies shall be issued by insurers acceptable to Lessor. At a minimum, all insurers shall be duly licensed (or qualified unlicensed) by the State of Arizona, Department of Insurance. At a minimum, all insurers shall have and maintain an A.M. Best, Inc. rating of B++6.

9.7 Primary Insurance. Lessee's insurance shall be primary insurance. Any insurance or self insurance maintained by Lessor shall not contribute to Lessee's insurance.

9.8 Indemnity. In addition to all other obligations hereunder, to the fullest extent permitted by law, throughout the term of this Agreement and until all obligations under this Agreement are satisfied, Lessee shall pay, indemnify, defend and hold harmless Lessor from and against any and all claims or personal injury, bodily injury, property damage including, without limitation, loss of use, or other claims, liability harm or damages which may arise out of any use of the Premises or Lessor's property related to this Agreement, including without limitation, claims, liability, harm or damages caused in whole or in part by a party indemnified hereunder.

9.9 Risk of Loss. Lessor is not required to carry any insurance covering or affecting the Premises or use of Lessor's property. Lessee assumes the risk of any and all loss, damage or claims to the Premises or related to Lessee's use of the Premises or Lessor's property throughout the term hereof. Lessee's obligations to indemnify do not diminish in any way Lessee's obligations to indemnify. Lessee's obligations to indemnify and provide insurance are in addition to, and do not limit, any and all other liabilities or obligations of Lessee under or connected with this Agreement.

X. CONDEMNATION

10. Condemnation. If any part of the Premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, and in the event that such taking or condemnation shall render the Premises unsuitable for use as an office, then the term of this Agreement shall cease and terminate as of the date of the condemnor taking possession in such

proceeding and Lessee shall have no claim for the value of any unexpired term of this Agreement. In the event of a partial taking or condemnation which is not extensive enough to render the Premises unsuitable for use as an office, Lessor shall elect to either terminate this Agreement or restore the Premises to a condition comparable to its condition at the time of such condemnation less the portion lost in the taking and this Agreement shall continue in full force and effect, and the Base Rent shall be reduced in proportion to the interior floor space of the Premises so taken. In the event of any taking or condemnation, Lessee shall not be entitled to any part of the award or other payment, as damages or otherwise. Lessor is entitled to receive the full amount of the award or other payment and Lessee hereby assigns to Lessor any right thereto.

XI. DAMAGE TO OR DESTRUCTION OF PREMISES

11. Damage to or Destruction of Premises. If the Premises are partially damaged by fire, explosion, the elements, the public enemy, or other casualty, but not rendered untenable, and provided that such damage is not caused by the act or omission of Lessee or its officers, employees, representatives, agents or customers, any such damage shall be repaired with due diligence by Lessor at its own cost and expense, and there shall be no reduction of Rent. If such damage shall be so extensive as to render the Premises untenable, but capable of being repaired in ninety (90) days, the same shall be repaired with due diligence by Lessor at its own cost and expense, and the Rent payable herein shall be proportionately paid up to the time of such damage and thereafter abate as to the untenable portion of the Premises until such time as the Premises are restored. In the event the Premises are completely destroyed by fire, explosion, the elements, the public enemy or other casualty; or so damaged that they will remain untenable for more than ninety (90) days, Lessor shall be under no obligation to repair or reconstruct the Premises, and Rent payable hereunder shall be proportionately paid up to the time of such damage or destruction, and shall thenceforth abate until such time as the Premises may be fully restored. If within twelve (12) months after the time of such damage or destruction said Premises shall not have been repaired or reconstructed, Lessee may give Lessor written notice of its intention to cancel this Agreement in its entirety as of the date of such damage or destruction.

XII. LESSEE'S RECORDS

12. Lessee's Records. Lessee will maintain in a secure and fixed place at the Premise or within Maricopa County, Arizona proper and accurate books, records, ledgers, correspondence, and other papers and repositories of information, relating in any manner to this Agreement and to all of Lessee's obligations hereunder.

12.1 Supplemental Information. Lessee will also furnish, from time to time, such additional financial and other information as Lessor may reasonably request.

12.2 Right of Inspection. So long as the same shall be pertinent to this Agreement or any transactions contemplated herein and, in any event, for a period extending at least seven years after termination of this Agreement, Lessee will at its expense permit and assist Lessor and its representatives at all reasonable times to inspect, audit and copy Lessee's records pertaining to this Agreement. Such inspection shall be limited to matters pertinent to Lessor's and Lessee's rights and obligations under this Agreement as reasonably determined by Lessor.

12.3 Costs of Audit. If an audit inspection or examination discloses underpayments (or other adjustments in favor of Lessor) of any nature in excess of three percent (3%) of any payments or single payment, Lessor's actual cost (based on the amount paid by Lessor, or based on reasonable charges charged by private auditors and other service providers for comparable work if the audit is performed by Lessor's employees) of the audit, inspection or examination,

together with late fees, interest, and other amount payable in connection with such adjustments or payments, shall be reimbursed to Lessor by Lessee. Any adjustments and/or payments, which must be made as a result of any such audit, inspection or examination (whether or not performed in-house by Lessor), shall be made within a reasonable amount of time (not to exceed 30 days) from presentation of Lessor's findings to Lessee.

12.4 Applicable to Sublessees. The foregoing provisions regarding financial records shall be included, and whether or not actually included shall be deemed included, in favor of Lessor in each sublease of any portion of the Premises.

XIII. COMPLIANCE WITH LAW

13. Compliance with Law. Lessee shall conduct only lawful operations at the Premises and at the airport in accordance with all Federal, State, County and City laws, ordinances, regulations or other rules as are now in effect or as may hereafter be adopted or amended. Lessee acknowledges that this Agreement does not constitute, and Lessor has not promised or offered, any type of waiver of, or agreement to waive (or show any type of forbearance or favoritism to Lessee with regard to), any law, ordinance, power, regulation, tax, assessment or other legal requirement now or hereafter imposed by the City of Scottsdale or any other governmental body upon or affecting Lessee, the Premises, the airport or Lessee's use of the Premises. Lessee acknowledges that all of Lessee's obligations hereunder are in addition to, and cumulative upon (and not to any extent in substitution or satisfaction of), all existing or future laws and regulations applicable to Lessee. In the case of an ordinance or other law of the City of Scottsdale authorizing a credit, reduction in tax or amount assessed, or any other benefit as a result of performances rendered under this Agreement, Lessee expressly repudiates all such benefits with respect to performances rendered under this Agreement. Lessee further agrees that this Agreement is not intended to diminish any performances to the City of Scottsdale that would be required of Lessee by law if this Agreement had been made between Lessee and a private citizen. Lessor has not relinquished any right of condemnation or eminent domain over the Premises. This Agreement is not intended in any way to impair the City of Scottsdale's power to enact, apply or enforce any laws or regulations, or exercise any governmental powers, affecting in any way Lessee or the Premises. Lessee promises to comply with all applicable laws and Lessor's rights and remedies hereunder for breach of such promise supplement and are in addition to and do not replace all otherwise existing powers of the City of Scottsdale or any other governmental body. Without limiting in any way the generality of the foregoing, Lessee shall comply with all and each of the following:

13.1 Taxes, Liens and Assessments. In addition to all other Rent herein provided, Lessee shall pay, when due and as the same become due and payable, but not later than fifteen (15) days prior to the delinquency date thereof, all taxes and general and special fees, charges and assessments of every description which during the term of this Agreement may be levied upon or assessed against the Premises, the operations conducted therein, any Rents paid or other performances under this Agreement by either party, and all possessory interest in the Premises and improvements and other property thereon, whether belonging to the Lessor or Lessee; and Lessee agrees to indemnify, defend and hold harmless Lessor and the Premises and such property and all interest therein and improvements thereon from any and all such taxes and assessments, including any interest, penalties and other expenses which may be imposed, and from any lien therefor or sale or other proceedings to enforce payment thereof. Lessee shall have the right to contest, but not the right to refuse to timely pay, any taxes and assessments. Lessee shall pay to Lessor any rental occupancy tax that may be payable under A.R.S. Sec. 42-1701, et seq. or A.R.S. Sec. 42-1901, et seq. or similar laws. Lessor shall have the right from time to time to require that all of the foregoing payments be made by Lessee through Lessor. Lessee shall pay all sales, transaction privilege, and similar taxes.

13.2 Building permits. Lessee shall obtain at its own expense all building or other permits in connection with all construction performed by Lessee and shall comply with all zoning, building safety, fire and similar laws and procedures of every description.

13.3 Airport Regulations. Lessor reserves the right to adopt, amend and enforce against Lessee rules and regulations governing the operation of the airport, and the Premises, Lessee's activities therein and thereon, and the public areas and facilities used by Lessee in connection therewith. Such rules and regulations shall be consistent with the safety, security, and public utility of the airport and with the rules, regulations and orders of the State of Arizona, and the Federal Aviation Administration or such other successor agency as may hereafter be designated by the State or Federal Government with respect to aircraft and airport operations.

13.4 Liability and Indemnity. Lessee shall be liable to Lessor, and shall pay, indemnify, defend and hold harmless Lessor against, any and all claims, demands, damages, fines or penalties of any nature whatsoever which may be imposed upon Lessor, including attorney's fees, arising from any violation of law caused directly or indirectly by act, omission, negligence, abuse or carelessness on the part of Lessee, its employees, agents, customers, visitors, suppliers, or invitees. Without limitation, the preceding sentence requires the payment by Lessee of any fines or penalties for any breach of security arising from the unauthorized entry of any of the aforementioned persons or their vehicles onto the passenger loading areas, taxiways, runways, aircraft movement areas and any other restricted portion of the airport.

13.5 Discrimination. No person shall be excluded from participation, denied the benefits of, or be otherwise subjected to discrimination in the use of the Premises on the grounds of race, color, handicap, or national origin. No person shall be excluded on the grounds of race, color, handicap, or national origin from participation in, denied the benefits of, or otherwise be subject to discrimination in the construction of any improvements on, over, or under the Premises and the furnishing of services thereon.

13.6 Government Property Lease Excise Tax. Lessee shall be responsible for any and all property taxes and all government property lease excise taxes described in A.R.S. § 42-6201 *et seq.* or similar laws in force from time to time. Pursuant to A.R.S. § 42-6206, failure by Lessee to pay the taxes after notice and an opportunity to cure is an event of default that could result in divesting Lessee of any interest in or right of occupancy of the Premises.

13.7 Federal Agreements. This Agreement shall be subordinate to the provisions and requirements of any existing or future grant assurances or other agreements between the Lessor and the United States, relative to the development, operation or maintenance of the airport.

13.8 Construction Regulations. Lessee shall comply with the notification and review requirements covered on Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

13.9 War or National Emergency. This Agreement shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of the airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.

13.10 Affirmative Action. Lessee assures that it will undertake an affirmative action program if and as required by 14 CFR, Part 152, subpart E, or other applicable law to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from

participating in any employment activities covered in 14 CFR, Part 152, subpart E. To the extent required by law, Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures that it will require that its covered suborganizations provide assurances to Lessor that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as and if required by 14 CFR, Part 152, subpart E or other applicable law.

XIV. ASSIGNABILITY

14. Assignability. This Agreement is not assignable by Lessee except in strict compliance with the following:

14.1 Assignments and Subleases Prohibited. References in this Agreement to assignments or subleases shall be deemed to apply to all transactions described in this paragraph. Lessee shall not assign, transfer, pledge, lien or sublet the leased Premises or suffer any of the same to occur, or permit the Premises or any part thereof to be used, occupied, managed, controlled or operated by others, or permit any transfer of corporate stock or any other direct or indirect transfer of any substantial part of the ownership, management or control of Lessee without the prior written consent of Lessor which may be withheld in Lessor's sole and absolute discretion. This prohibition shall apply to any assignment or subletting by operation of law, assignment for the benefit of creditors, voluntary or involuntary, bankruptcy or reorganization, or otherwise. If any transaction or event occurs in violation of this provision, Lessor may, in its sole discretion and in addition to all other remedies provided hereunder to Lessor and in any combination, collect Rent from the assignee, sublessee or occupant and apply the net amount collected to the Rent required to be paid thereunder and/or void the assignment or sublease, all without prejudicing any other right hereunder. Lessee shall pay to Lessor the sum of Five Hundred Dollars (\$500) as a transfer fee for legal and administrative expenses related to any request for consent. No cure or grace periods shall apply to assignments prohibited by this Agreement or to enforcement of this Agreement against an assignee who did not receive Lessor's consent.

14.2 No Novation. No assignment, transfer, subletting, occupancy or collection shall be deemed a waiver of the prohibition on assignments or any other provision of this Agreement, or the acceptance of the assignee, sublessee or occupant as Lessee, or a release of Lessee from the further performance by Lessee of the provisions of this Agreement. The consent by Lessor to an assignment or subletting shall not relieve Lessee from obtaining the consent in writing of Lessor to any further assignment or sublease. Upon assigning, transferring or subletting the Premises, Lessee shall not be released of any liability hereunder but shall remain fully and personally obligated under this Agreement.

14.3 Enforceability after Assignment. This Agreement shall be enforceable personally and in total against Lessee and each successor, partial or total, and regardless of the method of succession, to Lessee's interest hereunder. Each successor having actual or constructive notice of this Agreement shall be deemed to have agreed to the preceding sentence.

14.4 Grounds for Refusal. No assignments of this Agreement are contemplated or bargained for. Lessor has the absolute right in its sole discretion to give or withhold consent to any assignment or to impose any conditions upon any assignment.

14.5 Form of Assignment and Sublease. Any permitted assignment or subletting shall be by agreement in form and content acceptable to Lessor. Without limitation, any sublease or assignment shall specify and require that each sublessee or assignee acquiring any interest under

this Agreement by acceptance of any sublease, assignment or transfer shall assume and be bound by, and be obligated to perform the terms and conditions of this Agreement, and that in the event of default of Lessee under such assignment or sublease, Lessor at Lessor's sole option may succeed to the position of Lessee as to any sublessee or assignee of Lessee without liability for any prior breaches or performances. Lessor and Lessee agree that Lessor shall receive and retain the full and complete rental payment of any sublessee or assignee, though such payments may be in excess of the original rental between Lessor and Lessee.

XV. MISCELLANEOUS

15. Miscellaneous.

15.1 Notices. Notices hereunder shall be given in writing personally served upon the other party or mailed by registered or certified mail, return receipt requested, postage prepaid addressed to:

If to Lessor: Scottsdale Airport Director
 15000 N. Airport Dr., 2nd Floor
 Scottsdale, AZ 85260

Copies to: City of Scottsdale
 3939 Civic Center Blvd.
 Scottsdale, AZ 85251
 Attn: City Attorney

If to Lessee: Mr. John Dillon
 Grand Canyon Airlines
 Post Office Box 3038
 Grand Canyon, AZ 86023

or to such other street address within Maricopa County, Arizona as may be designated by the respective parties in writing from time to time. Notices to Lessee may also be hand delivered to the Premises. In the event of any service by mail, as aforesaid, service shall be deemed to be complete forty-eight (48) hours after deposited in the United States mail.

15.2 Time of Essence. Time is of the essence of each and every provision of this Agreement.

15.3 Invalid Provisions. In the event any term, condition, covenant, stipulation, agreement or provision herein contained is held to be invalid or unenforceable for any reason, the invalidity of any such term, condition, covenant, stipulation, agreement or provision shall in no way affect any other term, condition, covenant, stipulation, agreement or provision herein contained.

15.4 Paragraph Headings. The paragraph headings contained herein are for convenience in reference only and not intended to define or limit the scope of any provision of this Agreement.

15.5 Attorneys' Fees. In the event any action or suit or proceeding is brought by Lessor to collect the Rent due or to become due hereunder or any portion hereof or to take possession of the Premises or to enforce compliance with this Agreement or for failure to observe any of the covenants of this Agreement or to vindicate or exercise any of Lessor's rights or remedies hereunder, Lessee agrees to pay Lessor all costs of such action or suit and all expenses of such

action or suit together with such sum as the Court may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

15.6 No Third Party Beneficiaries. No person or entity shall be a third party beneficiary to this Agreement.

15.7 Exhibits. All exhibits attached hereto are incorporated into this Agreement by this reference.

15.8 Integration. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior agreement, understanding, negotiation or representation regarding the Premises.

15.9 Further Assurances. Lessee agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as Lessor may reasonably require to consummate, evidence, confirm or carry out the agreement contained herein.

15.10 Construction. Whenever the context of this Agreement requires, the singular shall include the plural, and the masculine shall include the feminine. This Agreement shall be construed according to its plain meaning and neither for nor against any party hereto. Lessee acknowledges that the Rent payable hereunder was negotiated in light of the plain meaning of this Agreement and this Agreement shall therefore be interpreted according to its plain meaning and without regard to rules of interpretation, if any, which might otherwise favor Lessee.

15.11 Survival of Liability. All obligations of Lessee hereunder and all warranties and indemnities of Lessee hereunder shall survive termination of this Agreement for any reason.

15.12 Choice of Law. This Agreement shall be governed by the internal laws of the State of Arizona. Proper venue for any action regarding this Agreement shall be Maricopa County.

15.13 Recording. This Agreement shall not be recorded. However, within ten (10) days of the date of this Agreement Lessee shall cause to be recorded in the Office of the Maricopa County Recorder the Notice of Agreement attached hereto as Exhibit "C".

15.14 Statutory Cancellation Right. In addition to its other rights hereunder, Lessor shall have the rights specified in A.R.S. Sec. 38-511.

EXECUTED as of the date first given above.

LESSEE: **GRAND CANYON AIRLINES**
an Arizona corporation

By: John C. Dillon
Mr. John Dillon
General Manager

By: Mary Manross, Mayor

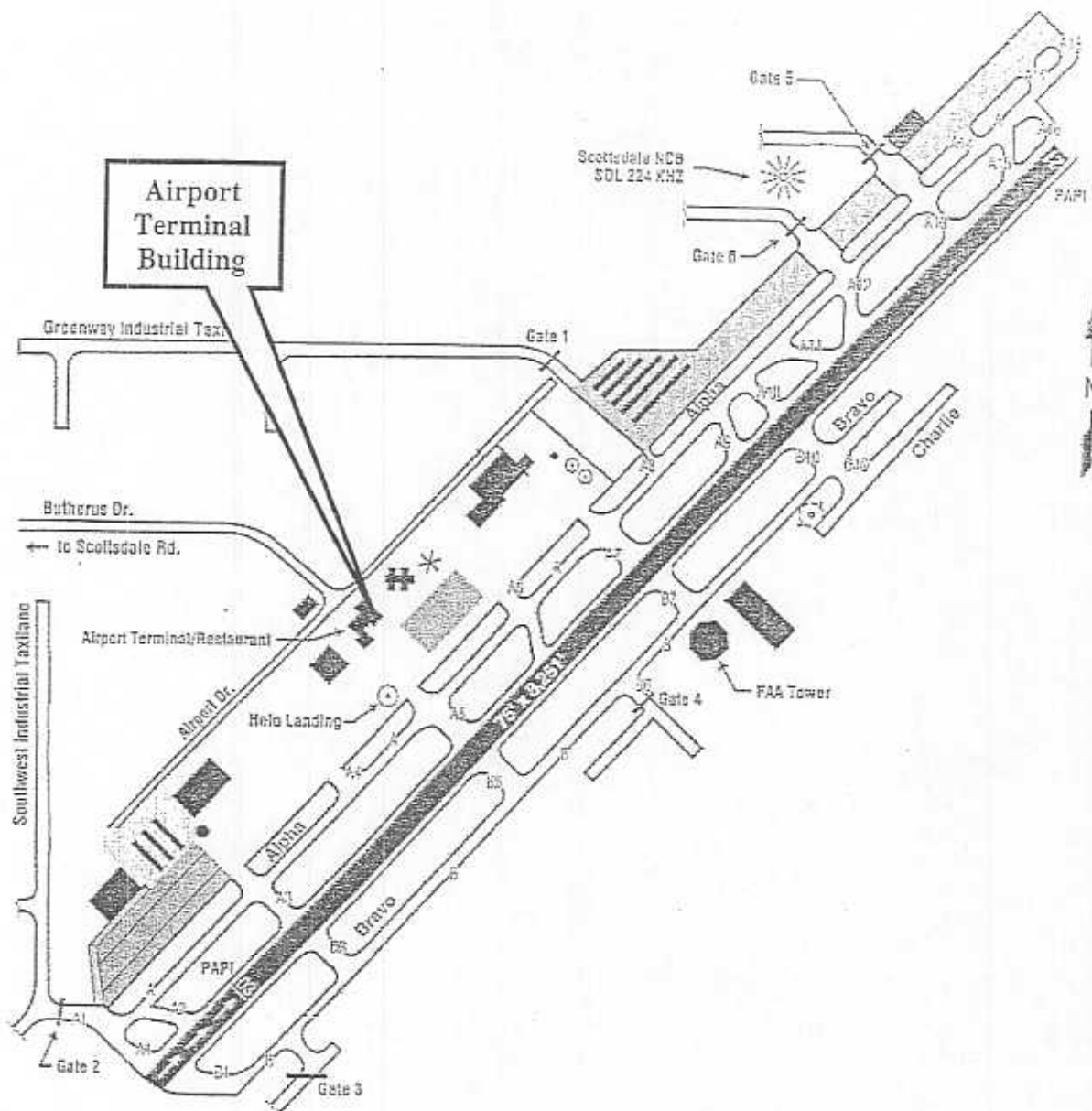
20

STATE OF ARIZONA)
County of Maricopa) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, by Mary Manross, Mayor of the City of Scottsdale, an Arizona municipal corporation.

Notary Public

My Commission Expires:



SCOTTSDALE AIRPORT

Located in
Sections 1, 2, 11 and 12 of T3N R4E
G. & S.R.B. & M

The premises are limited to the TERMINAL BUILDING which is located as
depicted above in N.E. ¼ of Section 11

Exhibit "A"

AIRPORT TERMINAL BUILDING

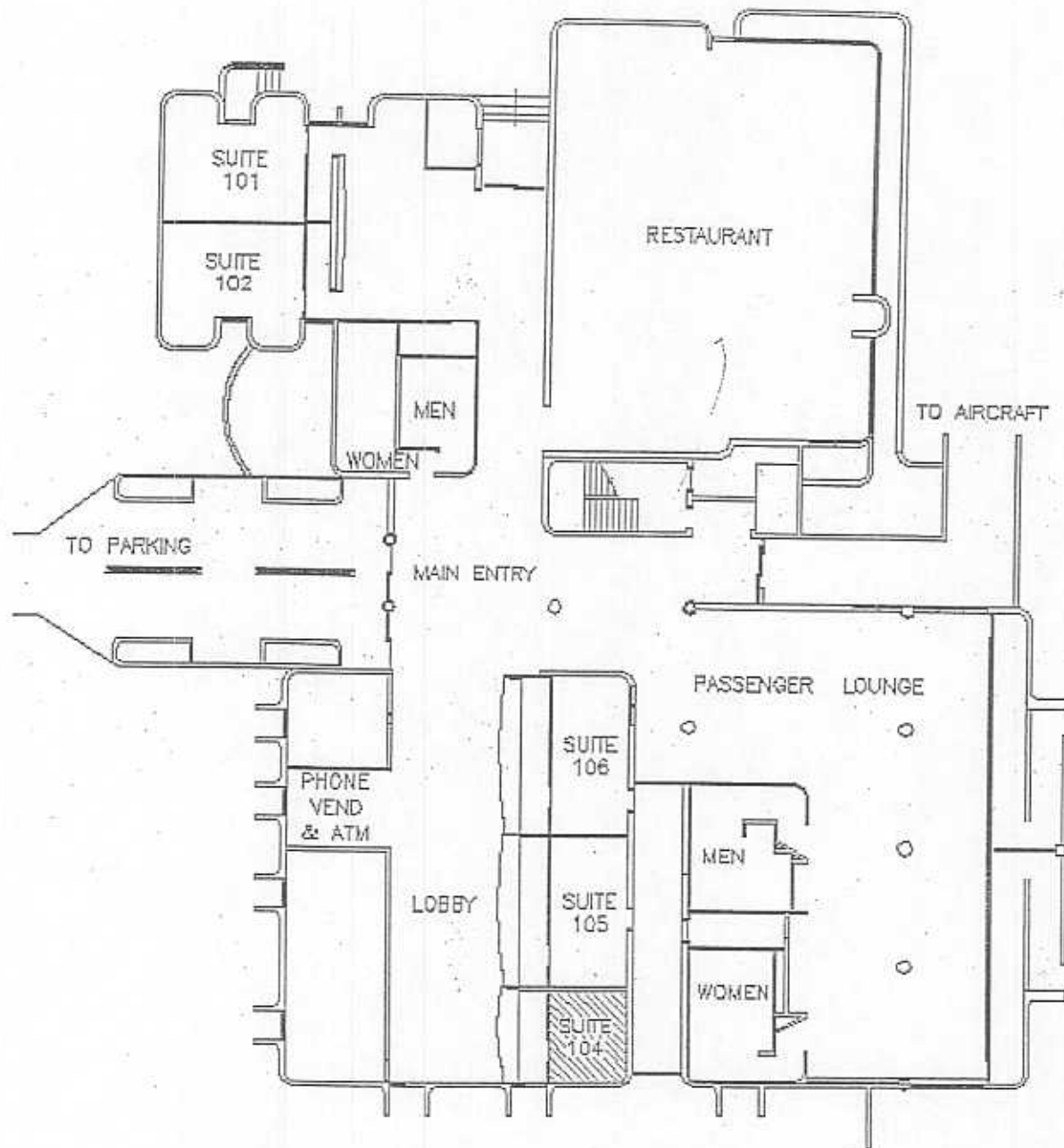


EXHIBIT "B"

RESOLUTION NO. 6398

(To Be Provided at Meeting)

**COMMISSION ACTION REPORT****TO: Airport Advisory Commission****FROM: Airport Staff****SUBJECT/PROJECT NAME:** Recommend to the City Council to ADOPT Resolution No. 6393 and AUTHORIZE agreement No. 2000-191-COS-A Lease Amendment for Southwest Flight Center, Inc.**Agenda Item No.:** ____**Meeting Date:** 11/19/03**Staff Contact:** Gary Mascaro, C.M.**Phone:** (480) 312-7612**ACTION**

Airport Advisory Commission considers recommending that the City Council:

ADOPT Resolution No. 6410 and AUTHORIZE Lease Amendment #2000-191-COS-A for Southwest Flight Center, Inc.

PURPOSE

The amendment for Southwest Flight Center Inc, (SWFC) is to include a section to facilitate their relocation to a new office in the Scottsdale Airport Aviation Business Center. SWFC entered into a lease agreement with the City of Scottsdale for Suite 109 at the Aviation Business Center on December 4, 2000.

KEY CONSIDERATIONS

- The tenant has requested the need for additional space within the building to accommodate their growing business at the Airport.
- Suite 101 became available for occupancy.
- The relocation to the new office will accommodate their needs for additional space since the new office is larger in square footage.
- The new base rent is anticipated to generate an additional \$6,807.00 in annual revenue to the Airport Enterprise Fund.
- This tenant has an Aeronautical Business Permit to conduct aircraft flight training, aircraft leasing, and nonstop sightseeing services.

Scott T. Gray, C.M. C.A.E.
Aviation Director

Attachment: (1) Amendment to Lease Agreement No. 2000-191-COS-A
(2) Resolution No. 6393

Action
Taken

WHEN RECORDED RETURN TO:

ONE STOP SHOP RECORDS
(Gary Mascaro)
City of Scottsdale
7447 E. Indian School Road, Suite 100
Scottsdale, AZ 85251

C.O.S. Contract No. 2000-191-COS-A

AMENDMENT TO LEASE AGREEMENT

THIS AMENDMENT TO LEASE AGREEMENT (the "Amendment") is made this ____ day of _____, 2003 by and between the City of Scottsdale, an Arizona municipal corporation ("Lessor") and Southwest Flight Center, an Arizona corporation ("Lessee").

W I T N E S S E T H

- A. Lessor and Lessee are parties to that certain Lease Agreement dated December 4, 2000 (the "Original Agreement").
- B. Lessor is the lessor and Lessee warrants and represents to Lessor to be the original lessee under the Original Agreement.
- C. Lessor and Lessee desire to amend the Original Agreement.
- D. In light of subsequent events and circumstances, Lessor and Lessee have determined that the purposes of the Original Agreement can be better achieved if Suite 109 is exchanged for Suite 101 and certain related changes are made to the Original Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and representations contained herein, Lessee and Lessor agree as follows:

- 1. Recitals. The foregoing recitals are incorporated into this Agreement.
- 2. Suite 101 Substituted for Suite 109. All references in the Original Agreement to Suite 109 are hereby changed to Suite 101. Lessee has no further rights in Suite 109. Suite 101 consists of approximately 400 square feet of floor area located inside and toward the west end of the Office Building consisting of office space. The premises are limited to the areas depicted as Suite 101 in the drawing attached to this amendment as Exhibit "1."
- 3. New Base Rent. The rental amount specified in paragraph 4.2 of the original Agreement is hereby changed to Six Hundred Sixty-Six and 67/100 Dollars (\$666.67).
- 4. New Utility Cost. The amount specified in the third sentence of paragraph 4.6 of the original Agreement is hereby changed to Seventy-Nine and 58/100 Dollars (\$79.58).
- 5. Part 135/121. The words "part 135/121 operations," are deleted from paragraph 5.1

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of _____, 2003,
by Mary Manross, Mayor of the City of Scottsdale, an Arizona municipal corporation.

Notary Public

My Commission Expires:

AVIATION BUSINESS CENTER
15041 NORTH AIRPORT DRIVE
SCOTTSDALE ARIZONA

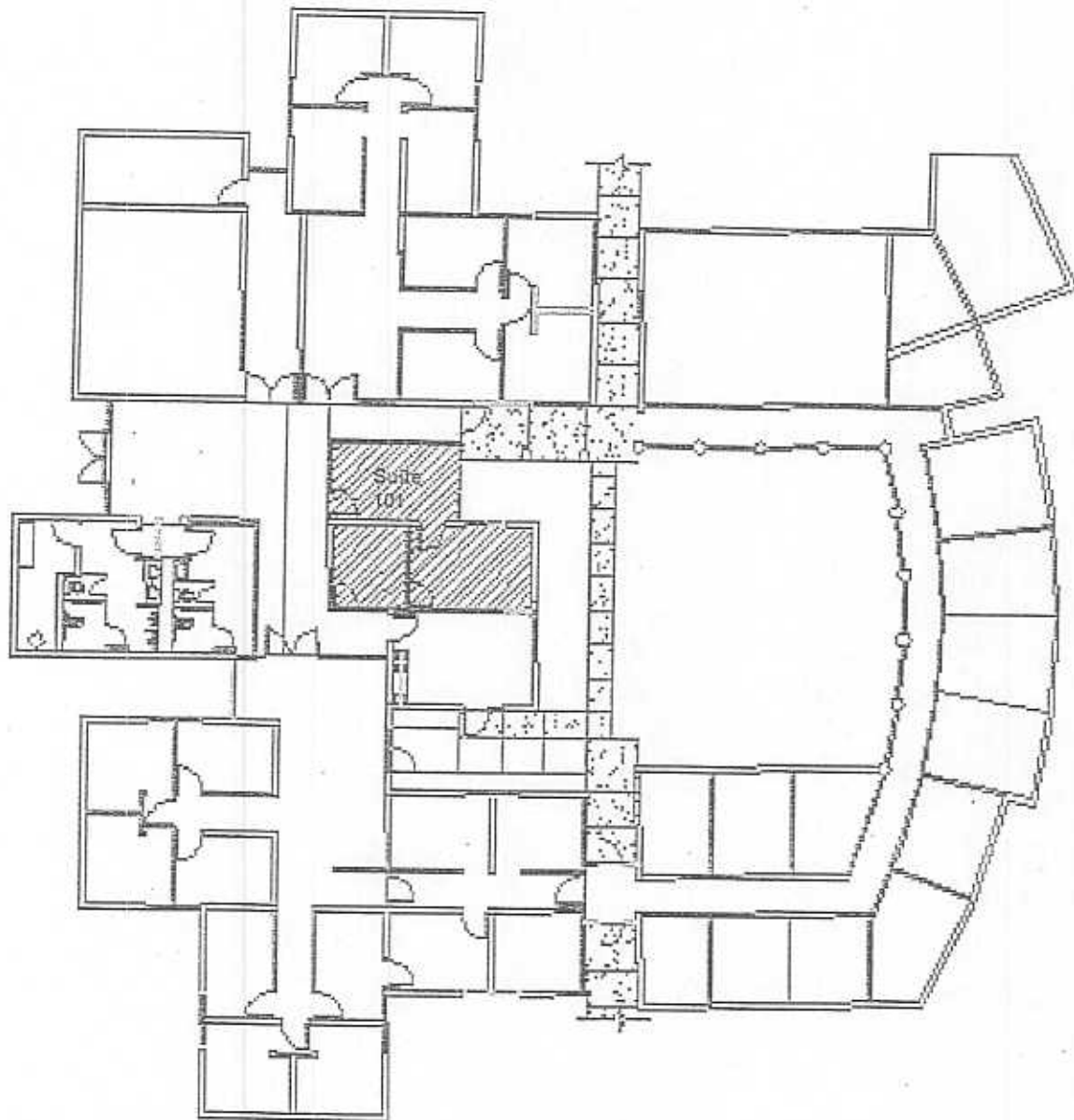


Exhibit "1"

RESOLUTION NO. 6393

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING EXECUTION OF AGREEMENT NO. 2000-191-COS-A, THE FIRST AMENDMENT TO THE LEASE BETWEEN THE CITY AND SOUTHWEST FLIGHT CENTER CONCERNING RELOCATION TO AIRPORT AVIATION BUSINESS CENTER.

WHEREAS, the City and Southwest Flight Center ("SWFC") are lessor and lessee, respectively, under that certain Lease Agreement dated December 4, 2000 ("Lease Agreement"); and

WHEREAS, SWFC conducts various aviation services; and

and WHEREAS, SWFC occupies Suite 109 in the Airport Aviation Business Center ("ABC");

WHEREAS, under the proposed amendment to the Lease Agreement, the City will relocate SWFC's leasehold premises to a larger, remodeled suite within the ABC; and

WHEREAS, the amended Lease Agreement will result in additional base rental revenue to the airport of \$6,200.00 per year.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. Mary Manross, Mayor, is hereby authorized and directed to execute Agreement No. 2000-191-COS-A, the first amendment to Lease Agreement No. 2000-191-COS between the City of Scottsdale and SWFC.

PASSED AND ADOPTED by the Council of the City of Scottsdale this _____ day of _____, 2003.

CITY OF SCOTTSDALE, an
Arizona municipal corporation

Mary Manross, Mayor

ATTEST:

By: _____
Carolyn Jagger, City Clerk

APPROVED AS TO FORM:

By: 
C. Brad Woodford, City Attorney

**COMMISSION ACTION REPORT****TO: Airport Advisory Commission****FROM: Airport Staff****SUBJECT/PROJECT NAME:** Recommendation to City Council to ADOPT Resolution No. 6410 and AUTHORIZE Intergovernmental Agreement No. 2003-186-COS.**Agenda Item No.:** ____**Meeting Date:** 11/19/03**Staff Contact:** Chris Read**Phone:** (480) 312-2674**ACTION**

Airport Advisory Commission considers recommending that the City Council:

ADOPT Resolution No. 6410 and AUTHORIZE Intergovernmental Agreement No. 2003-186-COS with the Arizona Department of Transportation (Aeronautics Division) accepting grant No. E4S39 for \$225,000.00 for security improvements at Scottsdale Airport.

PURPOSE

The funding from this grant will be used to design and construct miscellaneous security improvements at the City's Airport. Some of the items that are eligible to be funded under this grant include: Airport fencing, gates, cameras, and motion sensor equipment.

Although the Transportation Security Administration (TSA) has not yet developed any security standards or regulations for general aviation airports, Scottsdale Airport has already implemented many security enhancements in order to meet the expectations of its users.

Aviation staff plans on working with the TSA and our airport engineering firm to develop projects that would make the best use of the limited funding yet produces significant results. We will also use the funding to repair or improve some of the existing security infrastructure.

KEY CONSIDERATIONS

- State grants will provide for approximately 90% of the project funding, with the remaining 10% from the Aviation Enterprise Fund.
- As a result of receiving state grant funds, the cost for the Aviation Enterprise Fund would be \$22,500.
- This grant will be used to keep Scottsdale Airport a leader in the general aviation security field.
- This grant will be used to both improve existing security infrastructure and create new improvements.
- Aviation Staff will consult with the TSA to determine the best use of these grant funds.

Scott T. Gray, C.M., C.A.E.
Aviation Director

Attachments: (1) ADOT – Aeronautics Grant Agreement No. E4S39
(2) Resolution No. 6410

Action
Taken